

# NEBRASKA COOPERATIVES

## CEO Succession Planning among Nebraska Agricultural Cooperatives

Succession planning is the process of developing a pool of candidates for future employment roles. Succession planning for the CEO involves board oversight of the process, knowing the current executive's retirement plans, expectations for the next one, and efforts to develop internal candidates.

Sixteen Nebraska agricultural cooperative CEOs recently completed an anonymous survey asking about CEO succession planning efforts conducted by directors and CEOs. Responses describe tasks directors have completed to conduct succession planning, the tenure and retirement plans of current CEOs, internal employee development efforts, the quality of succession planning skills directors possess, and demographic information about the cooperative. CEO responses are summarized below; complete results are available upon request.

### The role of the board of directors

Survey responses indicate CEO succession planning is important relative to other items directors discuss. Most respondents (75 percent) indicate CEO succession planning is at least very important (4 on a scale of 1 to 5), and one-third of these indicate it is extremely important. A key motive identified in the poll for doing CEO succession planning is to preserve business continuity (87 percent). At the same time, however, the most common CEO succession planning activity directors conduct (56 percent of respondents) is to discuss CEO succession planning as part of a regular board meeting, but not make a resolution for action. Only two respondents indicate their cooperative has developed a formal succession plan.

CEO selection is an essential director function. CEOs rated director ability to screen, interview, and select CEO candidates and their ability to articulate the director expectations of the next

CEO. CEO responses are based on their experience with current and past directors they have known. The respondents indicate directors do this at least "moderately well" (3 on a scale of 1 to 5) much of the time. Responses were even more positive when asked how well directors perform specific succession planning activities: 70 percent of respondents indicate the director planning ability for CEO succession was at least moderately good. Greater percentages of respondents indicate directors identify internal candidates (75 percent) or interview CEO candidates (77 percent) at least moderately well. By contrast, 50 percent of respondents indicate Nebraska agricultural co-op directors identify external candidates moderately well.

### The current executive

Respondents indicate the typical Nebraska agricultural cooperative CEO has a lengthy tenure. One quarter of responding CEOs been in their position 11 or more years and about one-third of participants have six or less years. The responses indicate imminent executive turnover. About one-half of cooperatives CEOs are eligible to retire within the next four years, and about half of this group could retire within the next two years.

CEO respondents do not perceive their managerial attributes are unique or that they will be hard to replace. Only 13 percent believe they have qualities that are difficult to replace. In fact, two-thirds of respondents indicate they anticipate a relatively short (less than six months), regional search process for CEO candidates. Most (69 percent) anticipate the board will hire an executive search firm to identify potential candidates. The choice to use a firm stems from previous, successful experiences with these firms.

It is worth noting that responses indicating CEOs have skills difficult to replace represent relatively small cooperatives. These respondents represent cooperatives of \$25 million in sales, five or fewer business locations, and fewer than 5,000 members. CEOs in these cooperatives are likely to be the only employees with a comprehensive view of all the cooperative's operations and may have no other employee to turn to for marketing, finance, production, or other skills to facilitate the growth of the company.

### The next executive

Internal candidates are preferred in about half (56 percent) of cooperatives as potential CEOs. The other 40 percent of responses indicate CEOs do not know whether an internal or external candidate would be preferred. Given that preference for an external candidate was also a possible response in the questionnaire, a "do not know" response is open to a variety of interpretations, including unfamiliarity by the CEO of director preferences. Two-thirds of respondents indicate viable internal CEO candidates are employed by the cooperative. If a CEO candidate is external, respondents strongly prefer them to have had work experience in cooperatives instead of other corporate types, non-profits, or the public sector.

CEO respondents indicate high effort is made to develop the leadership abilities of employees. Approximately 75 percent of indicate at least moderate effort on a suite of internal leadership development options provided in the survey including cross training, annual reviews, and familiarizing with employees with key stakeholders. Respondents are most likely to make "substantial" or "a great deal" of effort for outside training.

### Conclusion

Nebraska agricultural cooperative CEOs indicate CEO succession planning is an important and timely topic. Results from this survey may increase motivation for directors to engage the succession planning process and to develop policies that foster internal CEO candidate

development. These responses suggest that CEO succession planning in a relatively small agricultural cooperative, or when directors believe the status quo is easy to maintain, receives less attention than other topics.

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